



Reckon®

Results Presentation

For the twelve months ended 31 December 2016

To be read in conjunction with Appendix 4E and Accounts



The Reckon Story

Our mission is to bring millions of businesses and professionals closer together with our software to create a brave new, connected economy...

It's been quite a ride already: 800,000+ registered businesses around the world have used Reckon software, 70% of the top accounting firms in Australia, three of the Big Four, and many of the worlds leading legal firms.

We owe a huge amount to our loyal Partners, our gifted in-house team, and active customer base. It is shaping up to be an exciting future as we continue to unleash our innovations into the market.

Reckon is split into three core areas:

1. Business

Our next-generation online accounting software, Reckon One, has been progressively released into the AU, NZ and UK market. It has been getting positive early feedback already, and is showing exponential month on month growth. In addition our connected services are expanding with our new Reckon Loans (powered by Prosopa) launched in July.

2. Document Management

Our Reckon Virtual Cabinet and Reckon SmartVault solutions are used by 51,000+ paying customers, with a 15% user growth in 2016. We're aiming to become leaders in how businesses and professionals collaborate with documents, and manage customers. We already have a community of 617,000 users sharing documents through our online portal.

3. Practice Management

Our Reckon APS software is used by 3 of the 4 big accounting firms in Australia to manage their professional accounting practices, and 70 of the top 100 firms. nQueue Billback is continuing to show strong growth and is used by some of the leading legal firms in the world. A testament to our ability to deliver world class software.

In all Reckon has many businesses across multiple geographies with significant opportunities. A strong foundation for an exciting future.

Yours,



Clive Rabie
Reckon CEO





The Agenda

1. CEO update
 2. Financial update
 3. Outlook
 4. Q & A
-

1. CEO update



Clive Rabie
RECKON CEO



Delivered on guidance

Revenue



\$97.8 million

With \$3.3m exchange impact
\$0.6m impact from business sold

\$101.7 million

FY16 \$101 - \$105m guidance*

EBITDA



\$35.3 million

With \$0.6m exchange impact
\$0.1m impact from business sold

\$36.0 million

FY16 \$34 - \$36m guidance

Development Spend



\$22.8 million

FY16 \$23 - \$25m guidance

*Revised for change to ASIC fee reporting.



EBITDA performance improves as revenue grows

Revenue and EBITDA growth at constant currency:

H1 FY16

7%
revenue growth

H2 FY16

10%
revenue growth

-8%
EBITDA growth

5%
EBITDA growth

- ✓ Group revenue of \$98m, up 7% (8% at constant currency) from \$91m in FY15.
- ✓ Subscription revenue growth of 13% to \$70m.
- ✓ 82% of available revenue is now subscription.
- ✓ Strong volume growth, particularly in online products.
- ✓ Strong new customer growth across all divisions.
- ✓ International expansion validated, by document management growth.
- ✓ Revenue growth drives EBITDA improvement as SmartVault moves towards profitability.

Our momentum continues

All areas across the business are performing well, and looking strong into the future.

✓ Practice and Document Management

	H1 FY16	H2 FY16	FY16
REVENUE	\$26.7m	\$27.4m	\$54.1m
GROWTH VS. FY15*	17%	20%	18%

* At constant currency and excludes business sold.

- Strong organic growth across both divisions.
- Ramped up geographic expansion for Document Management.
- Executed on strategic objective to move Practice and Document Management businesses to a predominantly subscription based model.
- New markets generated \$5.3m of revenue.

✓ Content

	H1 FY16	H2 FY16	FY16
REVENUE	\$3.9m	\$3.6m	\$7.5m
GROWTH VS. FY15	-4%	-6%	-5%

- Weak year for the Content business.
- Allocated more resources to sales after Q1, and adjusted strategy. This will take time to flow through.

✓ Business

	H1 FY16	H2 FY16	FY16
REVENUE	\$19.1m	\$16.4m	\$35.5m
GROWTH VS. FY15	-2%	+3%	-

- In Q1 we completed the vast bulk of our move to a subscription model.
- Revenue growth generated from online products.

✓ Group EBITDA

	H1 FY16	H2 FY16	FY16
EBITDA	\$18.5m	\$16.8m	\$35.3m
GROWTH VS. FY15†	-8%	5%	-2%

† At constant currency.

Three core areas of our business

We have a strongly diversified business across three key markets, with exciting synergies between them.



Business

We provide accounting software to SME's around the world. Over 800,000+ businesses having used our software, and we have a partner network of over 6,000+.



Document Management

Our document management software is used by over 51,000+ paying customers, who have shared documents with over 617,000+ users through our online portal.



Practice Management

Market leaders in practice management software for professionals. Over 70% of the leading 100 firms use our accounting software, and many of the worlds leading legal firms use our legal products.





Business highlights

- ✓ Over 39k online users (+18% annualised growth).
- ✓ 23% online revenue growth over FY15.
- ✓ 35% of available revenue is now cloud.
- ✓ Launched payroll for Reckon One into AU market in April 2016.
- ✓ Delivered 54 major feature releases for Reckon One during FY16, and expect to continue this with exciting major releases in FY17.
- ✓ Cloud POS technology acquired in FY16.
- ✓ Countries operational:



AU



NZ

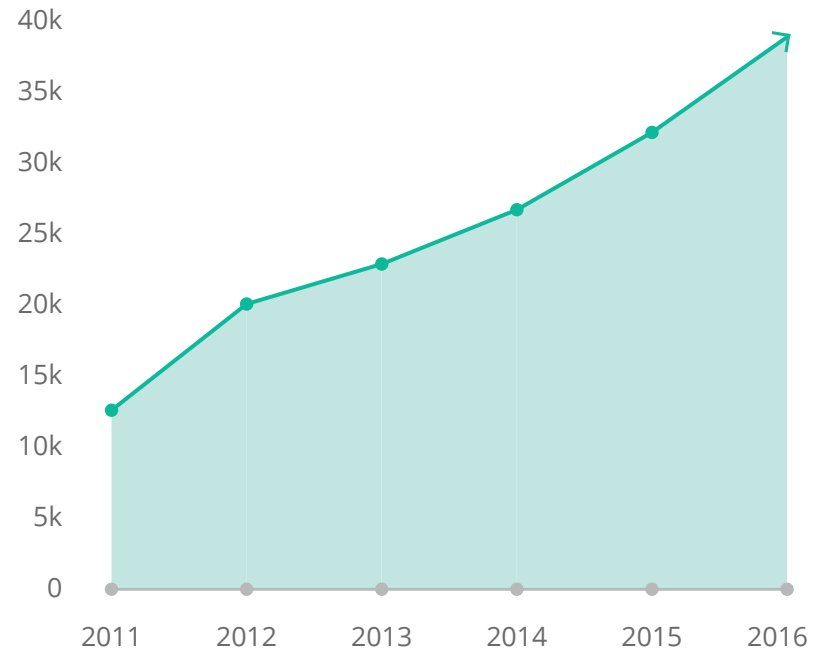


UK



Online user growth

USERS





Document Management highlights

- ✓ 7k new paying customers added in FY16, an annualised underlying growth rate of 15%.
- ✓ Virtual Cabinet and SmartVault online portals are currently used by 617k+ users to share documents.
- ✓ Cross selling into our Practice Management (Reckon APS) client base is picking up.
- ✓ SmartVault growth exceeded expectations.
- ✓ Project to merge SmartVault and Virtual Cabinet products onto a single cloud platform is on track.
- ✓ Countries operational:



UK



USA



AU



NZ



Increase in paying customers

SEATS

55k

50k

45k

40k

35k

30k

25k

20k

15k

10k

2011

2012

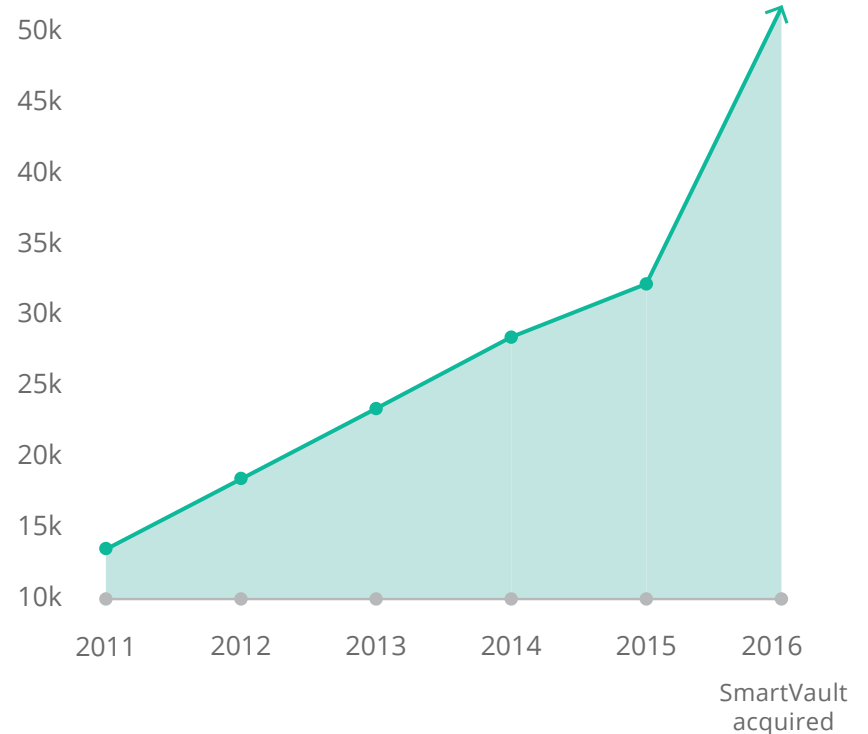
2013

2014

2015

2016

SmartVault
acquired





Practice Management highlights

- ✓ 6k seats added across the APS suite (8% growth).
- ✓ Highest number of new large clients in many years.
- ✓ Entered 2017 with strong backlog and pipeline.
- ✓ Expansion of an already impressive customer list.
- ✓ Online timesheet technology acquired in FY16.
- ✓ Strong nQueue growth in USA, with exciting pipeline.
- ✓ Countries operational:



AU



NZ



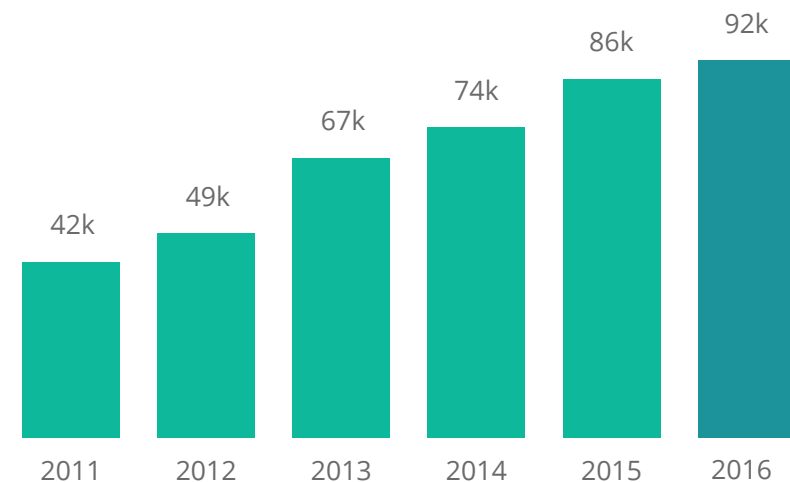
UK



USA



Reckon APS seat growth



2. Financial update



Chris Hagglund
RECKON CFO



Financial performance

✓ Results

	FY16	FY15	GROWTH
REVENUE	97.8m	91.4m	7%
OPERATING EXPENSES	(62.5m)	(54.8m)	14%
EBITDA	35.3m	36.6m	-4%
NET PROFIT ATTRIBUTABLE TO MEMBERS	11.0m	14.6m	-25%
DEVELOPMENT SPEND	22.8m	19.6m	+16%

- Strong subscription revenue growth.
- Underlying business showed solid profit growth.
- Investment in sales and marketing primarily in the Reckon One (ANZ and UK) and Document Management in (ANZ and USA) growth markets.
- Profit also impacted by higher amortisation due to investment in Reckon One and Document Management growth products.

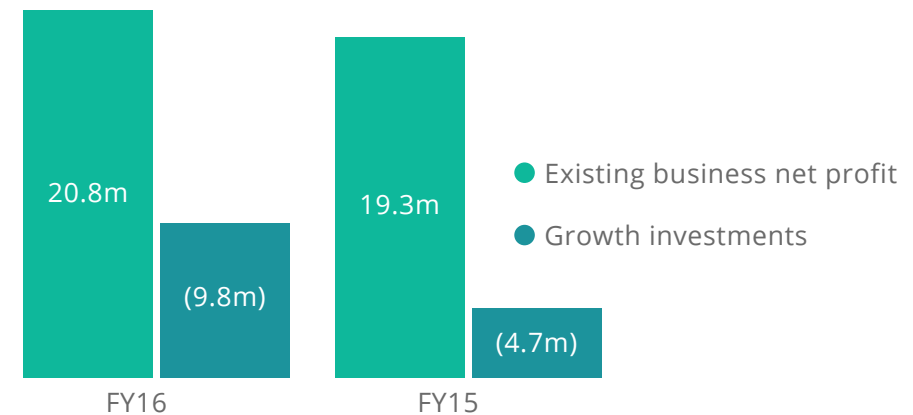
✓ EBITDA breakdown

	FY16	FY15	GROWTH
Existing businesses	39.8m	37.8m	5%
New market initiatives	(5.2m)	(2.6m)	
Business sold	0.7m	0.8m	
Currency	-	0.6m	

✓ Net profit attributable to members breakdown

	FY16	FY15	GROWTH
Existing businesses	20.8m	19.3m	8%
New market initiatives	(9.8m)	(4.7m)	

✓ Net profit attributable to members

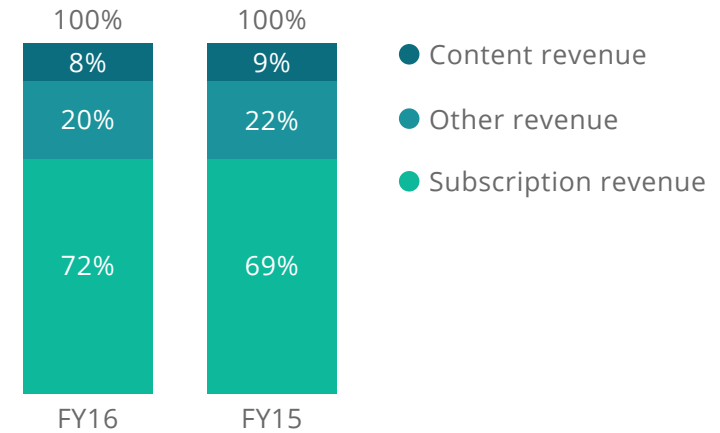


Financial performance

✓ Revenue by business

CONSTANT CURRENCY:	FY16	FY15	GROWTH
PRACTICE MANAGEMENT	46.8m	45.0m	4%
DOCUMENT MANAGEMENT	14.8m	8.7m	70%
BUSINESS	35.5m	35.4m	-
TOTAL AT CONSTANT CURRENCY	97.1m	89.1m	9%
BUSINESS SOLD	0.6m	1.1m	
CURRENCY	-	1.2m	
	97.7m	91.4m	

✓ Revenue type





Business financials

Subscription business with strong online growth.

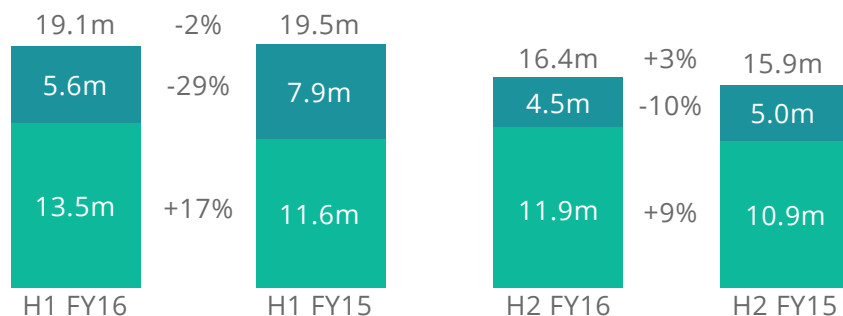
✓ Revenue

	FY16	FY15	GROWTH
SUBSCRIPTION	25.4m	22.5m	13%
PERPETUAL/SERVICE/ OTHER RECURRING	10.1m	12.9m	-22%
TOTAL	35.5m	35.4m	-

✓ EBITDA

EBITDA EXISTING BUSINESS	19.9m	19.1m	4%
NEW MARKET INITIATIVE	(2.9m)	(2.1m)	
TOTAL	17.0m	17.0m	-

✓ Revenue breakdown by half

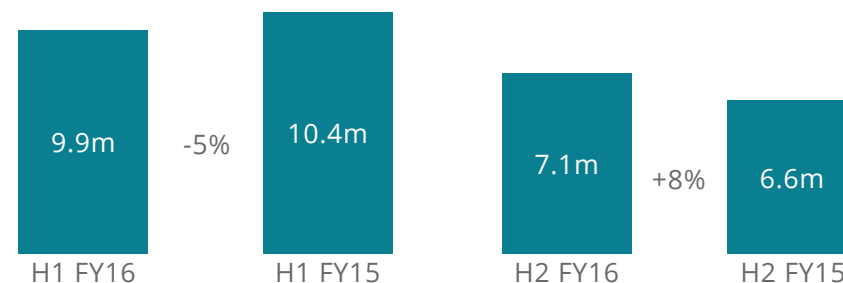


● Perpetual / Service / Other recurring ● Subscription

✓ Financial performance

- Revenue of \$35.5m up marginally on FY15.
 - Transition to subscription substantially completed (mainly in Q1).
 - Growth of 3% in H2 FY16.
 - Subscription now 81% of available revenue (72% in FY15).
 - 23% online revenue growth over FY15 (35% of revenue now is now cloud).
- EBITDA of \$17.0m marginally up on FY15.
 - Invested in Reckon One sales and marketing in AU, NZ and UK.
 - Underlying EBITDA growth 4%.

✓ EBITDA breakdown by half





Document Management financials

Customer growth continues to accelerate. Global market opportunity.

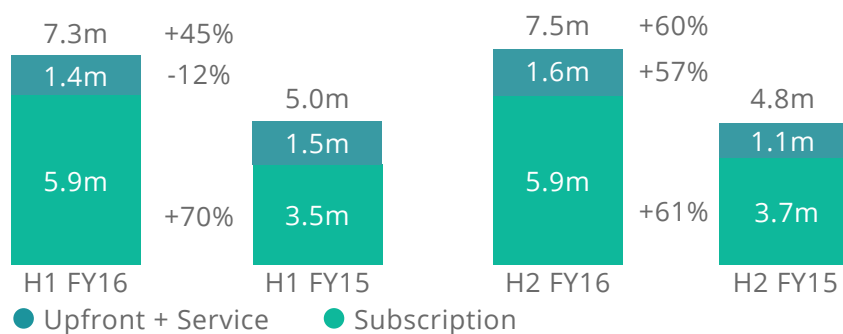
✓ Revenue

	FY16	FY15	GROWTH
SUBSCRIPTION	11.8m	6.4m	85%
UPFRONT + SERVICE	3.0m	2.3m	29%
	14.8m	8.7m	70%
CURRENCY	-	1.1m	
TOTAL	14.8m	9.8m	52%

✓ EBITDA

EBITDA EXISTING BUSINESS	4.7m	4.2m	11%
NEW MARKET INITIATIVES	(2.3m)	(0.4m)	
CURRENCY	-	0.5m	
TOTAL	2.4m	4.3m	-45%

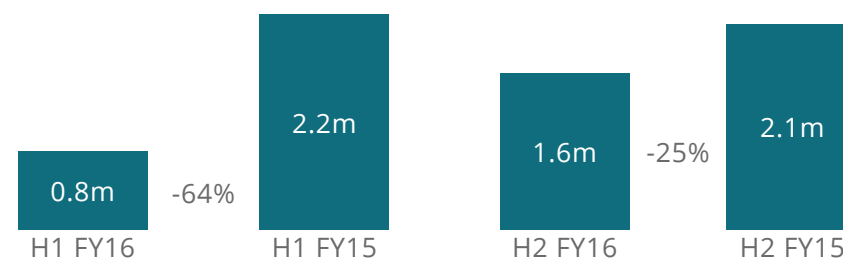
✓ Revenue breakdown by half



✓ Financial performance

- Revenue of \$14.8m, up 52% from \$9.8m in FY15.
 - 60% revenue growth in H2 FY16 (45% in H1 FY16).
 - Underlying revenue growth of 9%.
 - Subscription now 80% of revenue (73% in FY15).
- EBITDA of \$2.4m, down 45% from \$4.3m in FY15 due to investment in AU, NZ and USA markets. Market potential for each country is very significant.
 - Underlying business EBITDA growth of 11%.
 - SmartVault ahead of target.

✓ EBITDA breakdown by half





Practice Management financials

Highest number of new large clients added in many years, to an already impressive customer base.

✓ Revenue

	FY16	FY15	GROWTH
SUBSCRIPTION	32.7m	32.2m	1%
UPFRONT & SERVICE	6.6m	4.9m	33%
SOFTWARE	39.3m	37.1m	6%
CONTENT	7.5m	7.9m	-5%
SUBTOTAL	46.8m	45.0m	4%
CURRENCY	-	0.1m	
BUSINESS SOLD	0.6m	1.1m	
TOTAL	47.4m	46.2m	2%

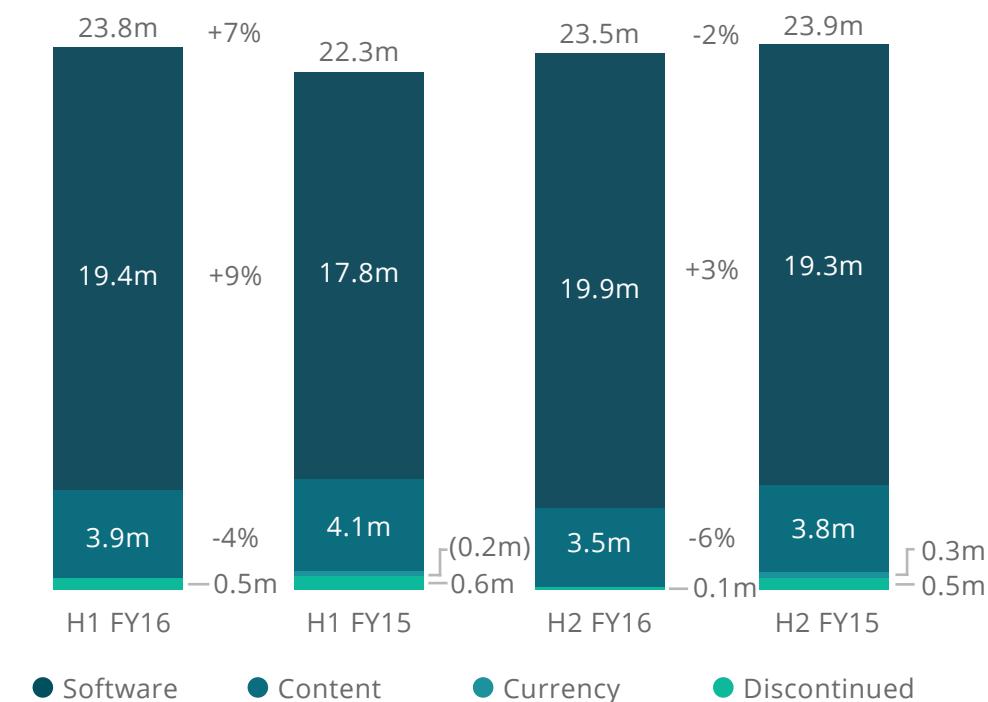
✓ EBITDA

EXISTING BUSINESS	19.9m	19.4m	3%
BUSINESS SOLD	0.7m	0.8m	
TOTAL	20.6m	20.2m	2%

✓ Financial highlights

- Revenue of \$47.4m, up 2% from \$46.2m in FY15.
- Continued growth in software business.
- Weak content performance in 2016.
- Subscription now 83% of available revenue.
- EBITDA of \$20.6m, up 2% from \$20.2m in FY15.

✓ Revenue breakdown by half





Practice Management reporting disclosure

A move towards a more meaningful reporting framework.

✓ New revenue disclosure

	FY16	FY15
GROSS REVENUE	59.8m	59.9m
PASS THROUGH ASIC FEES	(12.5m)	(13.7m)
REVENUE EXCLUDING ASIC FEE (REPORTED)	<u>47.3m</u>	<u>46.2m</u>

- As advised we have simplified the reporting in our Content business by removing the pass through ASIC fees from the revenue line.
- This more accurately reflects the revenue and margin earned on our Practice Management business.
- There is no impact on EBITDA.

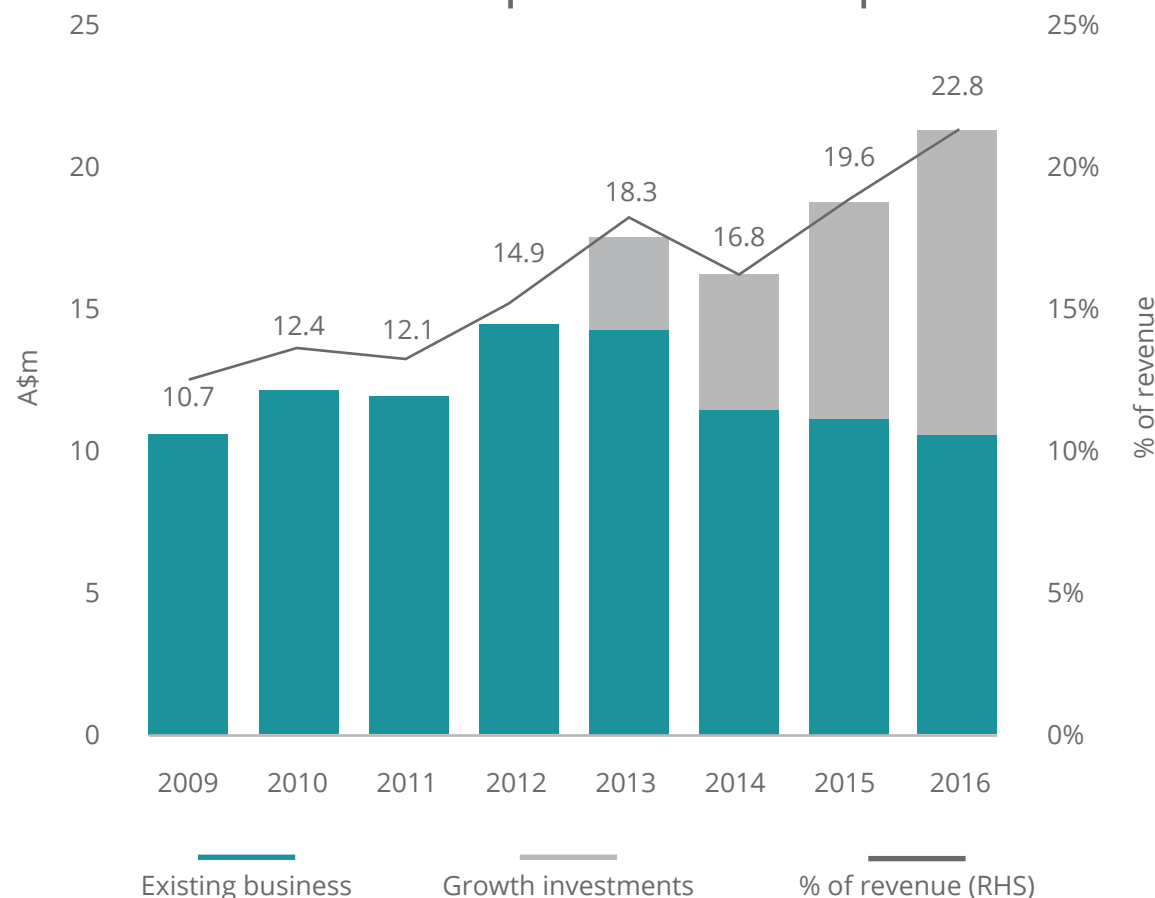


Cashflow highlights

	FY16	FY15
OPERATING CASHFLOW	29.7m	33.5m
DEVELOPMENT SPEND	(22.8m)	(19.6m)
SMARTVAULT ACQUISITION	(5.8m)	-
DESKTOP SUPER SALE	1.3m	-
VIRTUAL CABINET FINAL PAYMENT	-	(9.0m)
DIVIDENDS PAID	(3.9m)	(10.0m)

- Operating cashflow decreased and the development spend increased as a result of the investment in new markets.
- Bank facility of \$71m extended to August 2019.

Development spend



- More than 50% of development spend is on new growth investments:
 - the integration of SmartVault and Virtual Cabinet platforms, Reckon One, and
 - further targeted development of Reckon APS's cloud functionality.
- Total development spend is expected to return to it's long term average from 2018 onwards.

* % of revenue prior to ASIC fee adjustment.

3. Outlook



Reckon One growth opportunity

Strong, rapidly growing customer feedback.

Customer feedback



"The product is fantastic, very easy to use. The pricing is very competitive."

Michelle Aliste | Clever Cloud Business Solutions



"Easy to use, and only get charged for what you use, at a reasonable price."

Brenton Wilson | Wilson Autocare



"The system is a great price and is becoming more and more user friendly."

Rob Easton | Rotary Club Philip Island



"It's a simple, cost effective program which everyone in business can use."

Lynda Chater | Add It Up Services



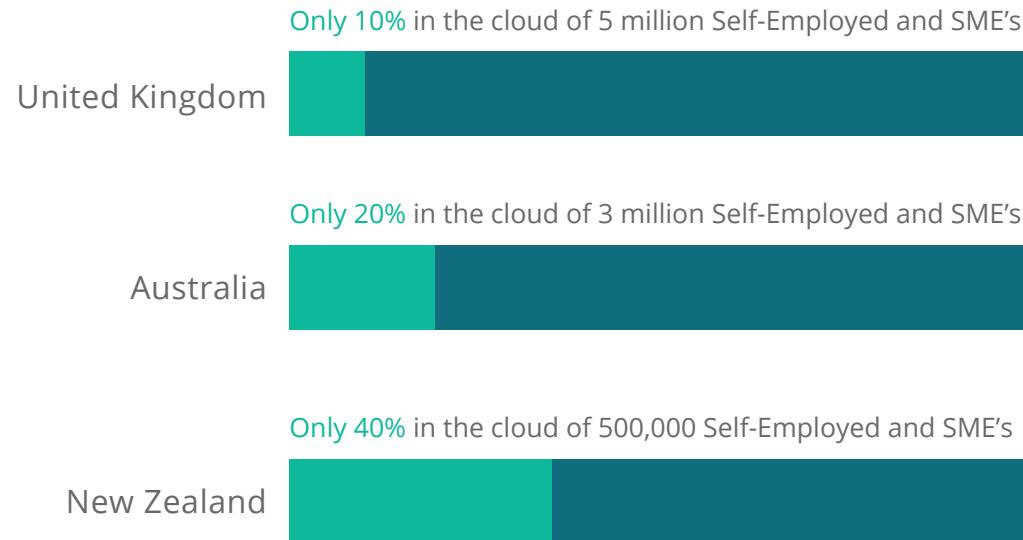
"Great cloud software and so much cheaper for the smaller clients."

Julie Forrester | Bizassist



Reckon One growth opportunity

✓ We're only getting started



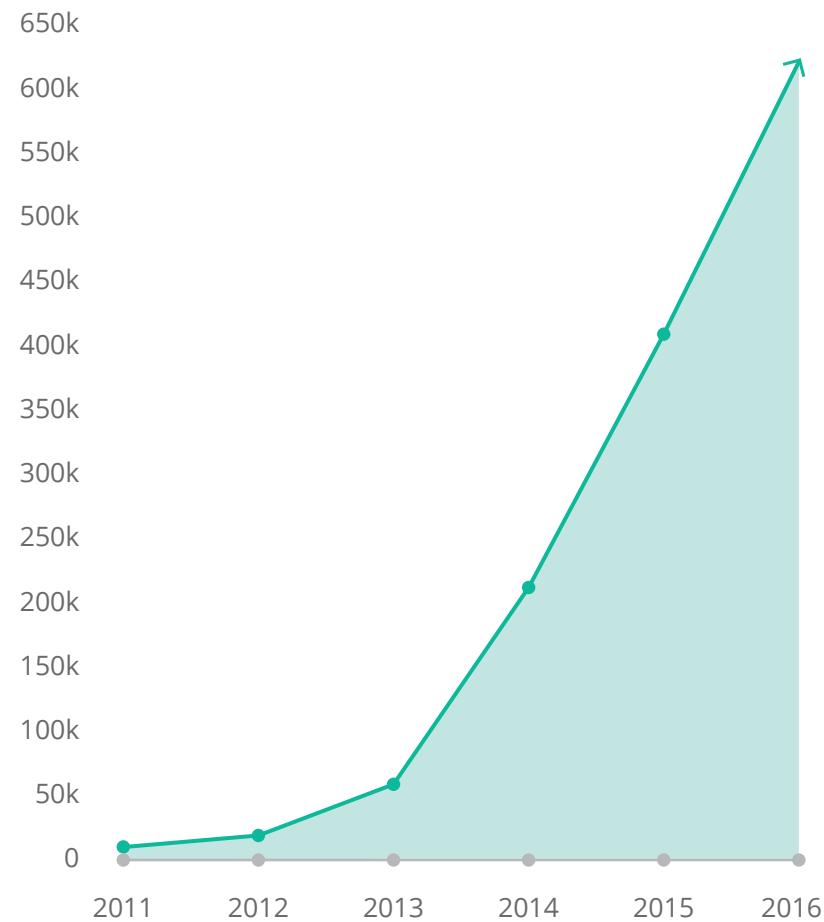
And internationally most markets are far less mature.
Tens of millions of potential businesses across dozens of countries. Enormous opportunity.

* Estimated from various market sources December 2016.

Document Management growth

Velocity of our customer and user base acquisition continues to rapidly increase.
Our recent SmartVault acquisition is already providing positive synergies.

✓ Users sharing documents in the portal



617,000

users are sharing documents
through our online portal.

Practice Management strength

We continue to add to our already impressive customer base at the fastest pace in years.
Leading accounting and legal firms across the world are using Reckon products.



Deloitte.



Linklaters

NORTON ROSE FULBRIGHT



BAKER & MCKENZIE

pillsbury

JONES DAY



PITCHER PARTNERS

C/M/S
Law. Tax

SEYFARTH SHAW
ATTORNEYS LLP

William Buck

MOORE STEPHENS

countplus

nexia
australia

BLP BERWIN
LEIGHTON
PAISNER

quinn emanuel trial lawyers
quinn emanuel urquhart & sullivan, llp

Building a sustainable growing company by investing in product development, sales and marketing initiatives.



Growing momentum

Revenue and customer volumes continue to increase.



Proving success

We're executing on our strategy and showing we can deliver.



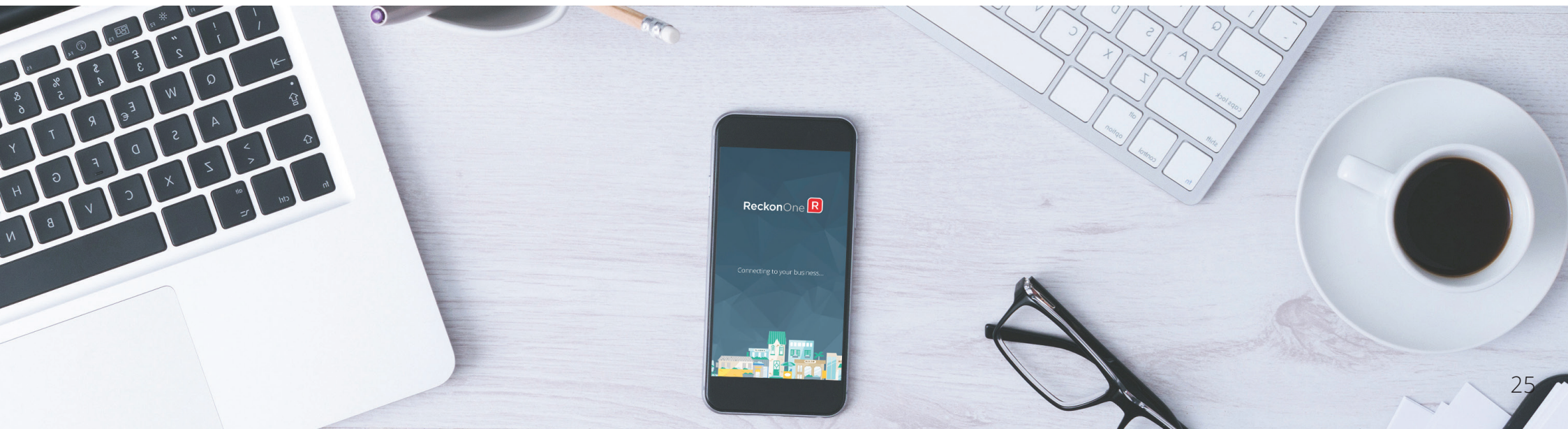
Global opportunities

A leading product range, expanding territories, and lots of room to grow.



We're ready

We've made and are making the right investments for an exciting future.



4. Q & A



Resources

✓ Website
reckon.com

✓ About us
reckon.com/au/about-us

✓ Investors
reckon.com/au/investors

✓ Media
reckon.com/au/media

Watch our new Reckon One video here:
reckon.com/au/one

